

Interim Report

JANUARY – MARCH 2011

- Net turnover for the interim period amounted to SEK 10.6 m (8.0).
- The result after tax amounted to SEK -0.5 m (-37.3). The main reason to the improved result is explained by value changes in the property portfolio.
- Earnings per share amounted to SEK 0.00 (-3.28)
- Book value of the properties amounts to SEK 647.2 m (669.1). The low liquidity in the market for real estate transactions still make assessment difficult.
- Book value of the participations owning parts in Fontanka 57 and Strelina amounts to SEK 110.6 (110.9) m.
- The Minister of Defence in Russia approved that the investment agreement regarding Moika /Glinky shall be amended, including the extension until December 31st 2014. The amendment is not yet signed.

Key Events

January

Extension of the investment agreement regarding Moika / Glinky is granted

March

Reimbursement of construction VAT approximately SEK 28.5 m was paid out in mid March.

May

One of the founder of Ruric, Nils Nilsson suddenly deceases in his home.

Description of Ruric AB

Business concept, overall goal and strategy

The company's business concept is to acquire, develop, let and manage real estate in St Petersburg, Russia with a focus on commercial premises of high class in attractive locations that thereby contribute positively to the business of the tenants.

The company has the goal of becoming a leading real estate company in the St Petersburg region within its segment.

The strategy is to manage properties in the central parts of St. Petersburg. In addition to that, Ruric shall acquire properties and carry out value creating add on investments to attractive terms. Through professional management and tenant relationship commercial premises of the high class are offered to tenants that are looking for premises in attractive locations and are willing to pay for it. Ruric offers primarily office and retail space.

Real estate stock

Ruric owns, disposes of or has interests in six properties in central St Petersburg at the close of the period, of which three are completed, and in the other three, planning and design and/or renovation/rebuilding is ongoing (mainly completed in one of these properties), and a land plot outside the city centre. During the period, the real estate stock*) has developed as shown below:

	Q1
Opening balance	669.1
Acquisitions	0.0
Investments in investment properties	0.0
Investments in real estate projects	3,4
Divestments	0.0
Changes in value	23.9
Changes in exchange rates	-49.2
Closing balance	647.2

*) The table shows the investment property and the project properties

Acquisitions

No acquisitions have been carried out during the period.

Divestment

No divestments have been made during the interim period.

INVESTMENT PROPERTY

Changes in value

The Board of Directors have chosen to base the valuation per 31 March on Aurora's valuations as per 31 December 2010. The assessment is that there are no value changes during the interim period. A second opinion from Colliers, support that assessment on a portfolio basis. The dollar depreciation, however, gives a temporary negative effect on the value in SEK.

The value of the investment property portfolio per 31 March 2011 amounts to SEK 201.7 m (217.4) which is equivalent to 14,000 SEK per lettable sqm.

Property	Lettable area	Operating income at full tenancy (6,3 SEK/USD)	External valuation 31 December 2010
R. Fontanki nab. 13 (Oscar)	2,976	8.1	62.5
9-ya V.O.i. 34 (Magnus)	6,463	9.3	71.8
Sredny Prospekt 36/40 (Gustaf)	4,943	9.5	67.4
Investment properties	14,382	26.9	201.7

DEVELOPMENT PROPERTY

The development portfolio consists of the property with address Moika 96-98/ul. Glinky 2, and the jointly-owned properties at Apraksin Dvor (65%) and on Fontanka 57 (50%). Ruric also owns 25% of a land plot of 132 hectares southwest of the city centre. The Moika / Glinky asset and Apraksin Dvor

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asset, which are both regulated in investment agreements, are recorded as Project properties, whereas the Fontanka 57 and land-plot are recorded as financial assets - shares and participations.

As for the investment properties the Board of Directors has based the valuation of the project properties and the properties recorded as participations as per 31 March on external valuations from 31 December 2010. Since the valuation of Apraksin Dvor contain a reduction for KUGI's claim and the court has rejected the claim, the value reduction is taken out giving rise to a value increase of SEK 24 m (0).

During the period SEK 3.4 m was invested in the property portfolio, mainly on consulting regarding Moika/Glinky project.

Apraksin Dvor:

The strategy to divest these two properties remains. However, Ruric and the partners are convinced that the value of the property is dramatically increased if legal ownership is first obtained. The project companies have claimed that the investment agreements are fulfilled and that legal ownership should be obtained. This process may be finished in the summer 2011 at the earliest, but there are several potential obstacles on the way. Ruric is raising the public awareness of Ruric's assets in St Petersburg, including Apraksin Dvor, to avoid misinformation in the media.

The fact remains that there is only one potential buyer to the assets.

Fontanka 57:

The construction works with this astonishing building in the city centre of St Petersburg is on-going, with some delay. Negotiations are still being conducted with the authorities with the view to re-negotiate rent level, rules for leasing out parts of property and on turning the financial lease into freehold.

The financial difficulty for the project partner, Scorpio, is still a problem. However, there are investors who are actively looking into the possibility to purchase Scorpio's share and enter into partnership with Ruric. At the same time Ruric and Scorpio are amicably trying to find a solution for continued partnership.

Moika/Glinky:

Ruric's project at Moika/ ul. Glinki is controlled through an investment agreement, which gives the right to develop and gradually own the property, but also consist of several obligations. Ruric has fulfilled all obligations possible at this stage, but the counter parties have not and thus caused a delay. This is why an extension of the investment agreement has been necessary. The minister of defence in Russia has given order that an amendment to the investment agreement is to be signed, including an extension until December 2014. This amendment is not yet signed.

After the notice of the extension order several investors, domestic and international, have shown strong interest in investing into the project. As soon as the amendment with the extension is signed these discussion may become more material.

It should also be noted that the immediate area surrounding Moika/Glinki is undergoing redevelopment with the new Army/Navy museum nearing completion, Marinski 2 Theatre being well under construction (currently at 4th floor) and the sale of New Holland development to 'Millhouse' with a 400 MUSD development budget. These projects, along with Moika/Glinki will transform the entire area into the Cultural Centre of St.Petersburg.

Land-Plot in Strelina:

Ruric believes that this area, together with two other areas in the proximity of St Petersburg, with good road and rail communication, are specifically attractive and will most certainly gain in attractiveness once the supply in capital markets is better. No development is currently conducted on the land-plot, but Ruric and the majority owner has decided to parcel out 32 HA of the land plot with the view to switch the ownership from shares to land, thus giving Ruric 100% ownership of 33 Ha of land instead of 25% share holding in the company owning 132 HA. Such a directly owned asset is obviously much more liquid than a minority share in a holding company.

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Future prospects – Financing

The turn-around in the Russian economy has been steady, but not fast, at least not in the real estate sector. The Rouble has been stable to the US dollar, but has declined to SEK. The oil price, that is so important for the Russian economy, has risen in the world markets, and has averaged higher than 80 \$/barrel during the past 18 months. The demand for office premises is slowly picking up, but increasing supply of new office buildings is holding back rental levels. The competition is high, but the city centre locations of Oscar, Magnus and Gustav will enhance their attractiveness.

At the end of the fourth quarter and in early 2011 we see sign of improvement though, at least in Ruric's portfolio. Both in Oscar and Gustaf rent levels have been raised almost to pre-crisis levels. For Ruric this means more than SEK 3 m more income on a yearly basis from March and onwards.

Since the long wished-for extension of the investment agreement regarding Moika /Glinky finally is being granted, the task of financing the project have been intensified. Several local and international investors are interested in the residential parts of the project.

Ruric is also exploring other solutions to reach a long term financial stability.

COMMENTS ON THE FINANCIAL DEVELOPMENT

Rental income

The rental income that includes the buildings at the 9-aya V.O. Linia 34 (Magnus), Fontanka 13 (Oscar), and Sredny Prospekt 36/40 (Gustaf) amounted to SEK 7.4 m (7.8) during the interim period.

The income from Apraksin Dvor amounted to SEK 2.0 m (0.0). All other properties do not have any lettable space as of yet.

The demand for premises has slowly increased. As per 31 March 23 (26) per cent of lettable space was vacant. This number has been reduced to 22 after the end of the period.

Real estate expenses

Direct real estate expenses and expenses for legal administration, marketing of premises, management fees etc. amounted to SEK -3.4 m (-2.5).

Operating surplus

The operating surplus amounted to SEK 7.2 m (5.5) during the interim period.

Other operating expenses

Other operating expenses mainly referred to expenses for central administration that include expenses for group management as well as other central functions including personnel expenses. These expenses amounted to SEK -5.7 m (-7.1) during the interim period.

Operating result

The operating result for the year amounted to SEK 25.3 m (-1.7). The improvement is mainly attributable to value changes.

Net financial income/expense

Net financial income and expenses amounted to SEK -19.9 m (-32.6) for the interim period. Results from participations are included with SEK -0.3 m (-1.0).

Currency exchange rates have effected equity with SEK -50.2 m (7.6), due to the fact that the properties are valued in USD, while changes in exchange rates that impacted the income statement amounted to SEK -15.5 m (0.9).

Result after financial items

The result after financial items amounted to SEK 5.4 m (-35.3) during the interim period.

Taxes

Tax expenses amounted to SEK -5.9 m (-2.0) during the interim period and mainly relate to deferred taxes.

Cash flow, liquidity and financial position

The cash flow during the year amounted to SEK 23.6 m (-50.2), whereof SEK 27.0 m (-31.3) was from operating activities. Approximately SEK 28 m refers to reimbursement of construction VAT from construction in Petrodvorets. The equity ratio amounted to 46.6 (49.5) percent at the end of the period. Equity amounted to SEK 502.5 m (552.9). Liquid funds amounted to SEK 74.8 m (51.2) and interest-bearing liabilities amounted to SEK 510.6 m (510.6).

Interest-bearing liabilities

Ruric's financing consist of a secured bond loan listed at OMX, amounting to SEK 510.6 m with maturity 16 November 2014. The bond has a coupon of 10 or 13 per cent, where Ruric may elect to pay 10 per cent in a cash coupon or elect to pay a 3 per cent cash coupon with a roll-up of 10 per cent, accumulated to the bond. The first coupon payment is payable first time on 16 November 2011.

Risk assessment

The risk factors that were presented in the annual report for 2010 are continuously assessed. After the company reorganization and the share issues previous year, Ruric has enough funds to complete its share of the Fontanka 57 project, but in order to continue development of the Moika / Glinky project further financing is required.

Exchange rate effects

Ruric's assets are valued in US dollars. Thus, when the dollar appreciates, the equity in SEK rises. All rents are paid in Russian roubles. Contracts however are mainly signed in US dollars but rouble contracts are becoming more common. Currency hedging is carried out only to a minor extent according to the finance policy.

Personnel and organisation

The Group had 23 employees at the end of the period, of which 21 are in the Russian subsidiary companies in St Petersburg, and 2 in the parent company (of which the CEO operates principally in St Petersburg).

The Parent Company

The Parent Company comprises the central management in Stockholm with overall responsibility for operational management as well as financing and reporting. The number of employees in the parent company amounts to 2 people at the end of the interim period.

The parent company's turnover for the year amounted to SEK 0.2 m (0.3). The result after financial items amounted to SEK -53.2 m (-41.7). Liquid funds amounted to SEK 38.6 m (46.5) at the end of the period.

The share and the owners

The largest owner is Alecta Pensionsförsäkring. The Ruric series B-share is listed at First North on OMX Stockholmsbörsen. Erik Penser Bankaktiebolag is the certified advisor.

Related party transactions

During the reporting period no related party transactions have occurred.

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Events after the close of the period

No material events have occurred after the end of the period.

Accounting principles

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This interim report is prepared in accordance with IAS 34 Interim reporting. The updated standard IAS 1 has been applied in this interim report. The group adopts the same accounting principles as the latest annual report.

Future reporting dates

Interim Report January-June 2011	31 August 2010
Interim Report January-September 2011	24 November 2010
Year-End Report January-December 2011	February 2011

For additional information

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This Interim Report has not been the subject of examination by the company's auditor.

Stockholm, 18 May 2011
Russian Real Estate Investment Company AB (publ)

The Board of Directors

Ruric's business concept is to acquire, develop, let, manage, and divest real estate in St Petersburg, Russia, with a focus on commercial premises of the highest quality in attractive locations that can thereby contribute positively to the business of the tenants. The company has the vision of becoming a leading real estate company in central St Petersburg

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Consolidated income statement			
SEK m	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Rental income	10.6	8.0	36.3
Real estate expenses	-3.4	-2.5	-14.0
Operating surplus	7.2	5.5	22.3
Depreciation of equipment	-0.1	-0.1	-0.6
Other operating expenses	-5.7	-7.1	-27.9
Changes in value, real estate	23.9	0.0	62.2
Impairment	0.0	0.0	-4.1
Operating profit/loss	25.3	-1.7	51.9
Profit participation	-0.3	-1.0	-38.2
Financial income	3.1	4.2	133.6
Financial expenses	-22.7	-36.8	-103.0
Profit/loss after financial items	5.4	-35.3	44.3
Taxes	-5.9	-2.0	3.1
Profit/loss after tax	-0.5	-37.3	47.4
Currency translation differences	-50.2	7.6	-44.8
Total result	-50.7	-29.7	2.6
Earnings per share. SEK	-0.00	-3.28	0.76
Earnings per share incl. dilution. SEK	n.a	n.a	0.76
Number of shares at the close of the period	104,148,555	11,363,096	104,148,555
Average number of shares	104,148,555	11,363,096	62,204,443
Average number of shares. incl. dilution	104,148,555	11,363,096	62,204,443

Consolidated balance sheet			
MSEK	31-03-2011	31-03-2010	31-12-2010
Fixed assets			
Investment property	201.7	206.4	217.4
Real estate projects	445.5	407.4	451.7
Equipment	5.3	5.2	5.5
Shares and participations	110.6	148.1	110.9
Deferred tax claims	17.0	20.1	21.6
Other long-term receivables	155.4	237.7	166.3
Total fixed assets	935.5	1,025.1	973.4
Current assets			
Current receivables	68.4	150.2	93.2
Liquid funds	74.8	7.1	51.2
Total current assets	143.2	157.3	144.4
TOTAL ASSETS	1,078.7	1,182.4	1 117.8
EQUITY AND LIABILITIES			
Equity	502.2	147.6	552.9
Deferred tax liabilities	11.1	12.4	10.2
Interest-bearing liabilities	510.6	831.5	510.6
Accounts payable	8.6	16.7	6.8
Other liabilities	3.0	3.0	4.0
Accrued expenses and deferred income	43.2	171.2	33.3
TOTAL EQUITY AND LIABILITIES	1,078.7	1,182.4	1 117.8

Consolidated change in equity SEK m	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Equity at the start of the period	552.9	177.3	177.3
Preferential rights issue	0.0	0.0	386.3
Issue expenses	0.0	0.0	-13.3
Revaluation	0.0	0.0	0.0
Profit/loss for the period	-50.7	-31.9	2.6
Equity at the close of the period	502.2	147.6	552.9
Consolidated cash flow statement SEK m			
	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Operating activities			
Profit/loss after financial items	5.4	-35.3	44.3
Adjustment for items not included in the cash flow	-13.6	4.0	-134.6
Taxes paid	-0.3	0.0	0.7
Cash flow from operating activities before change in working capital	-8.5	-31.3	-89.6
Changes in working capital			
Change in operating receivables	24.8	-50.0	40.2
Change in operating liabilities	10.7	36.6	-110.4
Total change in working capital	35.5	-13.4	-70.2
Cash flow from operating activities	27.0	-44.7	-159.8
Investing activities			
Acquisition of participations	0.0	0.0	0.0
Acquisition of tangible fixed assets	-3.4	-2.2	-36.8
Sale of tangible fixed assets	0.0	0.0	0.0
Investments in other financial assets	0.0	-3.3	25.4
Increase in short-term investments	0.0	0.0	0.0
Cash flow from investing activities	-3.4	-5.5	-11.4
Financing activities			
Preferential rights issue	0.0	0.0	373.0
Warrant settlement	0.0	0.0	0.0
Change in long-term borrowing	0.0	0.0	-207.9
Cash flow from financing activities	0.0	0.0	165.1
Cash flow for the period	23.6	-50.2	-6.1
Opening liquid funds	51.2	57.3	57.3
Liquid funds at the close of the period	74.8	7.1	51.2

Group key ratios	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
<i>Real estate related key ratios</i>			
Lettable area. m ²	26,400	26,400	26,400
Book value real estate	647.2	613.6	669.1
Occupancy ratio. area. %	77.1	79.6	73.9
<i>Financial ratios</i>			
Equity ratio. %	46.6	12.3	49.5
Liabilities/Assets. %	53.4	87.5	50.5
Interest coverage ratio. times	0.19	0.04	0.83
Debt/equity ratio. times	1.0	5.6	0.9
Return on equity. %	-0.09	-5.53	13.53
<i>Data per share and share data</i>			
Number of shares at the close of the period	104,148,555	11,363,096	104,148,555
Average number of shares	104,148,555	11,363,096	62,204,443
Average number of shares. incl. dilution	104,148,555	11,363,096	62,204,443
Earnings per share. SEK	-0.00	-3.28	0.76
Equity per share at the close of the period. SEK	4.8	13	5.3
Dividend. SEK	0	0	0
<i>Employees</i>			
Average number of employees	23	26	25
Number of employees at the end of the period	23	26	24

Parent company income statement MSEK	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Net income	0.2	0.3	1.1
Net income	0.2	0.4	1.1
Depreciation	-0.1	-0.1	-0.3
Other company cost	-2.5	-5.1	-14.9
Impairment	0.0	0.0	-38.2
Operating profit/loss	-2.4	-4.9	-52.3
Financial items	-50.8	-36.8	62.6
Profit/loss before tax	-53.2	-41.7	10.3
Taxes	0.0	0.0	-0.1
Profit / loss after tax	-53.2	-41.7	10.2

Parent company balance sheets MSEK	31-03-2010	31-03-2009	31-12-2009
Fixed assets			
Tangible fixed assets	3.9	4.2	4.0
Financial fixed assets	670.3	833.9	706.4
Total fixed assets	674.2	838.1	710.4
Current assets			
Short term receivables	331.6	269.9	320.7
Cash	38.6	3.1	46.5
Total current assets	370.2	273.0	367.2
TOTAL ASSETS	1,044.4	1,111.1	1,077.6
EQUITY AND LIABILITIES			
Share capital and reserves	444.3	258.7	444.3
Retained earnings	44.7	-157.3	90.4
Total equity	491.0	101.4	534.7
Long term liabilities	510.8	0.2	510.8
Short term liabilities	42.6	1,009.5	32.1
TOTAL EQUITY AND LIABILITIES	1,044.4	1,111.1	1,077.6

Definitions**Return on equity**

Profit/loss after tax in relation to average equity.

Loan-to-value ratio real estate

Interest-bearing liabilities concerning real estate in relation to the book value of the real estate.

Earnings per share

The profit/loss for the period in relation to the average number of shares.

Interest coverage ratio

The profit/loss after financial items plus financial expenses divided by financial expenses.

Debt/equity ratio

Interest-bearing liabilities in relation to equity.

Equity ratio

Reported equity in relation to reported total assets at the close of the period.

Equity per share

Reported equity in relation to the number of shares at the close of the period.